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June 7, 2002

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Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

Ex Parte: **Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements, CC Docket No. 98-171; Telecommunications Services for Individuals with Hearing and Speech Disabilities and the Americans with Disabilities Act of 1990, CC Docket No. 90-571; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72; Numbering Resource Optimization, CC Docket No. 99-200; and Telephone Number Portability, CC Docket No. 95-116**

Dear Ms. Dortch:

On June 6, 2002, Thomas J. Tauke, Senior Vice President, Verizon, discussed with Commissioner Kevin Martin the Commission's open rulemaking proceeding regarding the contribution and assessment methodology for federal universal service funds. Mr. Tauke expressed the positions Verizon has taken in comments filed in the proceeding. The attached documents were provided to Commissioner Martin and express those positions.

Pursuant to Section 1.1206(a)(1) of the Commission's rules, and original and one copy of this letter are being submitted to the Office of the Secretary. Please associate this notification with the record in the proceedings indicated above. If you have any questions regarding this matter, please call me at (202) 515-2530.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Scott Randolph".

W. Scott Randolph
Director - Regulatory Matters

Attachment

cc: Commissioner Kevin Martin
 Daniel Gonzalez

UNIVERSAL SERVICE CONTRIBUTION METHODOLOGY
CC Docket 96-45 (FCC-02-43)
Verizon Position

The current interstate revenue-based contribution system is not broken, and concerns over uncollectibles and time lag between reporting revenues and billing customers can be addressed by moving to a collect and remit system.

1. Under collect and remit, contributions would be based on projected revenues and carriers would remit amounts actually collected. This addresses the concern over lag between reporting historical revenue amounts and future revenue amounts, as well as uncollectibles.
2. USAC would set the quarterly contribution percentage level based on projected fund needs and projections of revenues that would be collected.
3. Carriers would bill customers based upon that contribution percentage, and remit amounts actually collected from all customers. Carriers should retain the current flexibility to develop flat monthly fees for similar classes of customers, or to use a uniform percentage assessment.
4. A "safe harbor" cap could be imposed on the amount carriers can bill customers for recovery of USF administrative expenses.

It is unclear whether there is any significant, systematic "decline," much less a "death spiral" in the interstate revenue base. Even if interstate revenues are declining, the way to address that problem is for the Commission to explore ways both to limit the fund and to increase contributions from other sources.

1. All broadband providers (including cable modem, satellite, and fixed wireless) should be required to contribute to the schools and libraries portion of the fund in order to increase the contributor base and to ensure competitive neutrality among providers of advanced services.
2. The Commission should compile a record to determine whether it is appropriated to adjust existing safe harbor assessments.

The proposed switch to a per-connection charge should be rejected, as it would create new administrative difficulties and would undermine principles of parity and competitive neutrality among different technologies and services.

1. A "connection" is difficult to define, especially for multi-line business connections and newer technologies.
2. Definitions are inevitably arbitrary, and would impose disproportionate regulatory burdens on different types of products and services.
3. Administrative burden would grow, as carriers already "count" revenue but would be forced to revamp their systems to focus on counting "connections."
4. The proposal appears to virtually eliminate contributions from carriers who provide the most interstate services and obtain the most interstate revenues by shifting almost all costs from long distance carriers to LECs and wireless providers.

Changes in Universal Service Contribution Base

Data taken from FCC Reports or other public sources

	Contribution base \$B	Total USF Need \$B	Contribution Factor
2Q2002	\$19.03	\$1.39	0.072805
1Q2002	20.25	1.38	0.068086
4Q2001	19.40	1.34	0.069187
3Q2001	19.94	1.37	0.068941
2Q2001	20.30	1.40	0.068823
1Q2001	20.26	1.35	0.066827
4Q2000	20.96	1.19	0.056688
3Q2000	20.20	1.12	0.055360
2Q2000	19.38	1.11	0.057101
1Q2000	18.96	1.11	0.058770
4Q1999	18.91	0.55	0.028872
3Q1999	18.99	0.56	0.029382
2Q1999	18.31	0.56	0.030538
1Q1999	18.35	0.58	0.031833



■ Universal Service Fund size

□ 2002 estimated fund size – \$5.9 billion
(in \$ millions)

